

NATIONAL LIFE OF CANADA



SIXTY-SEVENTH ANNUAL REPORT

Nineteen Hundred and Sixty-five



OUR PROGRESS AT A GLANCE

	1965	1964
Life Business in Force.....	\$1,356,490,142	\$1,174,143,705
<i>Comprising</i>		
Individual.....	505,978,851	462,160,991
Group Insurance.....	539,775,779	380,143,330
Group Annuities.....	310,735,512	331,839,384
New Life Business.....	222,572,669	161,092,317
<i>Comprising</i>		
Individual.....	86,573,500	77,826,997
Group Insurance.....	124,402,765	77,370,152
Group Annuities.....	11,596,404	5,895,168
<i>(All figures net of reinsurance ceded)</i>		
Premium Income.....	20,770,133	18,260,536
Investment Income excluding profits.....	7,116,356	6,535,151
Benefits Paid or Provided For.....	20,982,755	18,390,387
Total Assets.....	136,214,194	121,242,872
Net Earned Interest Rate.....	6.15%	6.14%
Capital and Surplus.....	8,190,251	6,793,015

BOARD OF DIRECTORS

HON. M. WALLACE McCUTCHEON, P.C., Q.C.*
Chairman of the Board

HAROLD R. LAWSON*
*Vice-Chairman of the Board and
Chairman of the Executive Committee*

JOHN A. RHIND*
President

L. C. BONNYCASTLE*
Vice-President

HON. JOHN B. AIRD, Q.C.

DONALD C. CARLISLE

R. P. CRAWFORD

GEORGE I. DAVIS*

BARRY B. HAYES

GEORGE D. MEAD

HON. LIVINGSTON T. MERCHANT

COLONEL S. C. OLAND, V.D., LL.D.

CLAUDE PRATTE, LL.L.

H. W. THOMSON

F. S. VANSTONE

W. P. WILDER*

* Member of the Executive Committee

THE NATIONAL LIFE ASSURANCE COMPANY OF CANADA

Head Offices: Canada

522 University Avenue, Toronto

United States

291 Glen Street, Glens Falls, N.Y.

REPORT OF THE BOARD OF DIRECTORS



Business Transacted — New business during the year amounted to a record \$222,572,669. All lines of business showed an increase (see page 1 for comparative figures), particularly group life insurance sales which were up from \$77,370,152 to \$124,402,765. During the year, life insurance in force passed the one billion dollar mark, and by year end total life insurance and annuity business in force reached \$1,356,490,142, a gain of 15.5% over 1964.

Assets — Assets, exclusive of separate funds, increased \$9,070,708 to \$118,559,827. Of this increase \$1,335,557 is accounted for by the assets offsetting the increase in short-term indebtedness. Year-end market values of bonds and stocks exceeded the values at which they were carried in the books by \$1,595,192. The corresponding figure for 1964 was \$2,769,157; the difference is accounted for by the general decline in bond prices during the past year. The net rate of interest earned on the Company's assets, after deducting investment expenses, was 6.15%. Separate fund assets held for corporate pension plans increased \$5,900,614 to \$17,654,367. These assets are shown at market values.

Operating Results — The increase of 37% in death and disability benefits to \$6,163,877 is accounted for largely by the gain in the amount of business in force, particularly group life and group health insurance. In addition, mortality experience was less favourable than in 1964. With the introduction of the Canada and Quebec Pension Plans, employees of a few companies, one being particularly large, have sought and obtained government permission to withdraw from company sponsored group annuity plans funded with the National Life. From all points of view this is regrettable; many of these employees have lost some or all of that portion of their pension credits contributed by the employer and, as well as exposing themselves to a loss in tax savings, they have abandoned a plan designed to provide generously for their old age. Among the effects of such withdrawals on the accompanying statements are a reduction in assets of approximately \$3.5 millions from what they would otherwise have been, an unusually large increase in the figure for matured endowments and surrender benefits, and a substantial drop in the amount set aside as provision for future guaranteed benefits. During the year the scale of dividends to policyholders was increased for the sixth time in the past ten years, and dividends paid were 26% higher than in 1964. Operating income, after dividends to policyholders, increased 10% to \$1,371,120.

Appreciation — We would like to take this opportunity to express once again our appreciation to the staff and field force of the Company who have contributed so much to the gratifying results which we are able to report.

M. W. McCUTCHEON
Chairman of the Board

H. R. LAWSON
President

CHANGES IN EXECUTIVE OFFICERS

At a meeting of the Board of Directors following the Annual Meeting, Harold R. Lawson was elected Vice-Chairman of the Board and Chairman of the Executive Committee and John A. Rhind was elected President and chief executive officer. The appointment of R. Gordon Henderson as Vice-President and Director of Agencies was announced at the Annual Meeting.

STATEMENT OF ASSETS AND LIABILITIES

December 31	1965	1964
ASSETS		
Government of Canada bonds.....	\$ 3,066,504	\$ 3,152,150
Provincial and municipal bonds.....	7,323,797	7,621,046
Corporate bonds.....	20,203,455	17,625,222
Other bonds.....	4,565,312	3,959,468
Bonds.....	35,159,068	32,357,886
Preferred stocks.....	449,196	380,997
Common stocks.....	4,810,435	4,053,539
First mortgage loans.....	67,545,263	61,509,607
Policy loans.....	4,744,725	4,472,889
Real estate held for investment.....	1,569,440	1,668,723
Invested assets other than separate funds.....	114,278,127	104,443,641
Cash.....	689,136	1,851,610
Premiums receivable.....	1,258,085	1,067,100
Home office property.....	850,381	842,329
Interest due and accrued.....	1,144,607	1,147,679
Other assets.....	339,491	136,760
Total assets other than separate funds.....	118,559,827	109,489,119
Separate funds.....	17,654,367	11,753,753
Total assets.....	\$136,214,194	\$121,242,872
LIABILITIES, CAPITAL AND SURPLUS FUNDS		
Provision for future guaranteed benefits.....	\$100,436,018	\$ 95,132,642
Provision for claims pending.....	1,883,021	1,575,543
Provision for policyholders' dividends.....	1,549,555	1,286,869
Amounts left on deposit by policyholders.....	4,234,370	3,783,737
Short-term indebtedness.....	1,535,557	200,000
Other liabilities.....	731,055	717,313
Total liabilities other than separate funds.....	110,369,576	102,696,104
Capital stock—100,000 shares of \$10 par value.....	1,000,000	1,000,000
Investment and contingency reserves.....	1,250,000	1,100,000
Surplus.....	5,940,251	4,693,015
Total capital and surplus funds.....	8,190,251	6,793,015
Separate funds.....	17,654,367	11,753,753
Total liabilities, capital and surplus fund.....	\$136,214,194	\$121,242,872

H. R. LAWSON
President

J. A. RHIND
Vice-President and Managing Director

Notes

1. Bonds are carried at amortized cost or less and stocks at cost or less, except for those included among assets held for separate funds, which are carried at market values. In the aggregate these values are less than those authorized by the insurance law of Canada.
2. Home office property is shown after deducting a mortgage of \$179,620 in 1965 and \$197,671 in 1964.
3. \$1 U.S. is treated as equivalent to \$1 Canadian and £1 Sterling as \$3 Canadian. If current rates of exchange had been used, there would have been no material change in surplus funds shown.



STATEMENT OF INCOME

Year ended December 31	1965	1964
INCOME		
Insurance and annuity premiums.....	\$ 20,770,133	\$ 18,260,536
Interest, dividends and rents.....	7,116,356	6,535,151
Total.....	<u>27,886,489</u>	<u>24,795,687</u>
DISPOSITION OF INCOME		
Death and disability benefits.....	6,163,877	4,508,009
Matured endowments and surrender benefits.....	7,406,760	4,294,928
Annuity payments.....	484,401	423,611
Interest on deposits by policyholders.....	183,430	149,915
Provision for future guaranteed benefits.....	5,303,376	7,891,860
Other benefit payments.....	192,207	131,181
Sub-total—Benefits paid or provided for (excluding dividends to policyholders).....	19,734,051	17,399,504
Commissions.....	1,580,195	1,484,750
General insurance expenses.....	3,182,248	2,955,339
Taxes (excluding Canadian income taxes).....	310,994	332,862
Investment expenses.....	459,177	385,005
Total.....	<u>25,266,665</u>	<u>22,557,460</u>
Operating income before dividends to policyholders.....	2,619,824	2,238,227
Less dividends to policyholders.....	1,248,704	990,883
Operating income.....	<u>\$ 1,371,120</u>	<u>\$ 1,247,344</u>

STATEMENT OF CAPITAL AND SURPLUS FUNDS

Year ended December 31	1965	1964
Operating income.....	\$ 1,371,120	\$ 1,247,344
Realized capital gains and losses.....	61,383	132,030
Write down of assets.....	(28,000)	—
Canadian income taxes.....	(7,267)	(6,963)
Total.....	1,397,236	1,372,411
Capital and surplus funds beginning of year.....	6,793,015	5,420,604
Capital and surplus funds end of year.....	<u>\$ 8,190,251</u>	<u>\$ 6,793,015</u>

AUDITORS' REPORT TO THE SHAREHOLDERS AND POLICYHOLDERS

We have examined the statement of assets and liabilities of The National Life Assurance Company of Canada as at December 31, 1965 and the statements of income and capital and surplus funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances; the provisions for future guaranteed benefits and for policyholders' dividends were determined and certified by the Company's Actuary.

Based on our examination and the certificate of the Actuary, we report that in our opinion the accompanying statement of assets and liabilities and statements of income and capital and surplus funds present fairly the financial position of the Company as at December 31, 1965 and the results of its operations for the year ended on that date.

CLARKSON, GORDON & CO.
Chartered Accountants

TORONTO, CANADA, JANUARY 21, 1966

BRANCH OFFICES AND AGENCIES

BRITISH COLUMBIA.....	Vancouver	W. R. PENN, C.L.U.	Branch Manager
ALBERTA.....	Calgary	A. A. WILKES, C.L.U.	Branch Manager
	Lethbridge	G. W. POPMA	Special Agent
	Edmonton	H. COHEN, C.L.U.	Branch Manager
MANITOBA.....	Winnipeg	L. GARRISON	Branch Manager
	Winnipeg Garry	M. KOREN	General Agent
ONTARIO.....	Hamilton	G. S. DONAS	Branch Manager
	St. Catharines	G. B. REMIGIO	Branch Manager
	Sarnia	H. E. QUIST, C.L.U.	Special Agent
	Toronto Bradshaw	R. H. BRADSHAW	General Agent
	Toronto Central	G. R. TRUSSLER	Branch Manager
	Toronto North	C. W. NUSCA	Branch Manager
	Toronto Simcoe	L. J. D'ALTON	Branch Manager
	Downsview	J. BRODSKY	General Agent
	Toronto	L. H. McLAUGHLIN, C.L.U.	General Agent
	Ottawa	W. E. TUFTS, C.L.U.	Branch Manager
QUEBEC.....	Quebec City	J. A. ROY, C.L.U.	Branch Manager
	Montreal Island	Y. H. McDougall	Branch Manager
	Montreal Uptown	CHARNEY-MILLER ASSOC. LIMITED	General Agent
	Mount Royal	S. ACRE	Branch Supervisor
		H. DUX	Branch Supervisor
	Sherbrooke	J. E. R. PEPIN	Branch Secretary
NOVA SCOTIA.....	Halifax	G. M. CONNOR	Branch Manager
NEWFOUNDLAND.....	St. John's	T. B. MURPHY, C.L.U.	Branch Manager
ARIZONA.....	Phoenix	M. MAHON	Life Manager
CALIFORNIA.....	Los Angeles	E. L. MENARD	Life Manager
	San Francisco	C. GAUDETTE	Life Manager
CONNECTICUT.....	Hartford	F. X. JOHNSTON	Manager
FLORIDA.....	Jacksonville	F. TUCKER	Manager
ILLINOIS.....	Chicago	H. E. STEIN	Manager
	Rockford	H. J. HEIDEL	Manager
INDIANA.....	Indianapolis	M. H. CRAVENS	Manager
KENTUCKY.....	Louisville	W. R. PURKINS	Life Manager
MARYLAND.....	Baltimore	A. H. KREBS	Life Manager
MASSACHUSETTS.....	Boston	F. COOPER	Life Sales Representative
MICHIGAN.....	Detroit	R. S. EWENS	Manager
MINNESOTA.....	Minneapolis	J. A. KNAPP	Manager
MISSOURI.....	Kansas City	L. D. CARNEY	Manager
NEW JERSEY.....	Newark	W. J. GOULDING	Life Sales Representative
NEW YORK.....	Albany	G. SAWYER	Life Manager
	Buffalo	E. BRIZZIE	Life Manager
	Glens Falls	K. T. MOORE	Life Manager
	New York City	P. D. FAZZONE	Life Manager
	Poughkeepsie	C. MILLER	Life Manager
	Rochester	G. DeLORME	Life Sales Representative
	Syracuse	C. M. ELLIOTT	Life Manager
NORTH CAROLINA.....	Raleigh	C. E. CRISSEY	Manager
OHIO.....	Columbus	L. FRANZ	Life Sales Representative
	Stow	C. DiTOMMASO	Life Sales Representative
PENNSYLVANIA.....	Philadelphia	R. CLAWGES	Life Sales Representative
	Pittsburgh	R. WILLIAMS	Life Sales Representative
TENNESSEE.....	Nashville	C. W. KING	Life Sales Representative
VIRGINIA.....	Richmond	C. E. CRISSEY	Manager
BERMUDA.....	Hamilton	BUTTERFIELD & Co. LTD.	General Agent
	Bermuda Powell	A. A. POWELL	General Agent
WEST INDIES.....	Jamaica	N. E. BINGHAM	Branch Manager
	Caribbean Agencies	J. V. GONSALVES	General Agent
	Barbados	K. D. G. FROST	Manager
	Curacao and Aruba	C. F. GUILLEN	Manager
	Trinidad	A. F. GONSALVES	Manager
		N. N. M. GUILLEN	Production Manager

EXECUTIVE OFFICERS

H. R. LAWSON, F.S.A., F.C.I.A.
Vice-Chairman of the Board and
Chairman of the Executive Committee

G. M. DRURY
Vice-President-Administration

J. K. WILLIAMS, Q.C.
General Counsel and Secretary

HON. M. WALLACE McCUTCHEON,
P.C., Q.C., A.S.A.
Chairman of the Board

C. T. P. GALLOWAY, F.S.A., F.C.I.A.
Vice-President and Actuary

F. M. CRISPO
Treasurer

D. C. MOAT, C.L.U.
Secretary—U.S.A.

J. A. RHIND
President

R. G. HENDERSON
Vice-President and
Director of Agencies

W. W. BUCHANAN
Secretary—U.S.A.